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C O N F I D E N T I A L SECTION 01 OF 02 ZAGREB 000407

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SUBJECT: PM RESIGNATION SPURS CABINET SHAKEUP; COALITION GOVERNMENT HOLDING STEADY

REF: ZAGREB 402

Classified By: Acting DCM Rick Holtzapple, Reasons 1.4 B/D

**¶1.** (SBU) SUMMARY: A day after Ivo Sanader announced his resignation as Prime Minister, the reasons for his abrupt departure are no clearer. While Sanader is still acting Prime Minister, current Deputy Prime Minister Jadranka Kosor has the support of all of Sanader's coalition partners and should be able to formally become the head of government within the coming days or weeks. Sanader's resignation has spurred some reshuffling of ministries but we expect no major changes in terms of Croatia's foreign or domestic policy goals, although EU aspirations will likely be modulated in response to the difficulties Sanader has faced on that aim. The leadership of Sanader's party, the Croatian Democratic Union (HDZ) has also been reworked and Kosor will take the helm of a party that features a much more conservative leadership team. END SUMMARY

RULING COALITION HOLDING TOGETHER

**¶2.** (SBU) Sanader proposed that Deputy Prime Minister and Deputy Head of the HDZ Jadranka Kosor be given the mandate to form a new coalition government headed by the HDZ. All of the smaller members of the current coalition government have committed to supporting Kosor as the new premier, but all have indicated they will seek new coalition agreements and will table new demands of the HDZ. Press reports indicate that Kosor can count on at least 83 votes of the 153 seat parliament, and the HDZ is hoping that Croatian President Stjepan Mesic will give the mandate for Kosor to form a new government quickly. For his part, Mesic said publicly that he would utilize his right to consult all party chiefs before awarding the mandate to form the next government. However, privately Mesic advisors told the Ambassador that Mesic would almost certainly give Kosor the mandate. Mesic, per the constitution, reminded citizens that Sanader remains the acting prime minister until the Sabor convenes and formally accepts Sanader's resignation. Meanwhile the main opposition parties are pushing for early parliamentary elections and, along with many press commentaries, are stressing that Sanader bailed-out on Croatia amidst a crisis and argued Kosor's premiership would be illegitimate in the eyes of voters.

OLD NAMES BUT NEW MINISTRIES

**¶3.** (U) The departure of Sanader and the pending elevation of Kosor has caused a few changes to the cabinet. Bozidar Pankretic of the Peasant Party will fill Kosor's position as Deputy Prime Minister and will switch portfolios with the HDZ's Petar Cobankovic; Pankretic will take over the Minister of Regional Development (making him a key player on refugee return issues) and Cobankovic will move back to his previous position as Minister of Agriculture. Tomislav Ivic, a parliamentarian who participated in an Embassy-organized NATO tour, will take over Kosor's position as head of the Ministry of Family, Veterans' Affairs and Intergenerational

Solidarity. Two new minister posts were created. Bianca Matkovic (formerly Sanader's Chief of Staff and currently a State Secretary in the Ministry of Foreign Affairs) will become a Minister without Portfolio to coordinate, inter alia, Croatia's EU bid; and Davorin Mlakar return to a resurrected Ministry of Administration (which he headed in the 1990's). Education Minister Dragan Primorac resigned his position after he learned of Sanader's decision and no replacement for his ministry has yet been named. Also, current Justice Minister Ivan Simonovic refused to answer reporters, questions about whether he would stay in his position when Kosor takes over.

#### HDZ SHAKEUP: SNOW WHITE AND THE SEVEN DINOSAURS?

¶4. (SBU) In addition to being the prime minister designate, Kosor will also assume Sanader's position as President of the HDZ at this Saturday's (July 4) annual party congress. This congress will also see Health Minister Darko Milinovic installed as Deputy President of the party and six members of the HDZ's current executive committee elevated to the role of party Vice President. The elevation of Petar Cobankovic, Bozidar Kalmeta, Andrija Hebrang, Vladimir Seks, Ivan Jarnjak, and Ivan Suker marks the re-ascendancy of several of the more conservative and nationalistic founding members of the HDZ.

#### PM RESIGNATION WITHOUT CLEAR REASON, BUT THEORIES ABOUND

¶5. (C) As noted reftel, Sanader's July 1 resignation gave no details why he was leaving his post, nor for the timing of the decision. Sanader said only that his "strategic goals

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are accomplished;" stated he was ready for a new beginning after years in politics; and made vague reference, in response to a reporter's question, to the frustration he felt regarding Croatia's stalled EU bid. However, most political observers, including almost his cabinet ministers, and all of his coalition partners, were caught off-guard. Close Sanader confidants, Minister of Culture Bozo Biskupic and MFA State Secretary Matkovic, both confided to the Ambassador that they did not learn of Sanader's decision until shortly before his public announcement and could only conclude that Sanader was "tired" and needed a break. Parliamentary Speaker Luka Bebic, who was, along with Kosor, one of the first to be informed of Sanader's decision on the evening of June 28 was particularly critical of the EU process as being a cause for Sanader's frustration, and in fact some media speculate that Sanader's resignation was, in part, intended to highlight to the EU how destabilizing Slovenia's blockade of Croatia's EU bid has become.

¶6. (C) Media reports and commentators have speculated on more than a half-dozen potential explanations for Sanader's resignation, ranging from family health issues to blackmail to a "right wing coup" within the HDZ. All of the HDZ insiders we spoke to, however, were emphatic that Sanader's announced departure from politics -- including his statement that he will not run for President -- was genuine, motivated by a sense that it was time to step aside, and not part of a plan to eventually run for President. Political insiders from outside the HDZ, such as Serb MP and coalition partner Milorad Pupovac, or Democratic Center president Vesna Skare Ozbolt, are more inclined to believe that Sanader is pre-positioning himself for a run at the Croatian presidency in December and will re-emerge in the coming months as a candidate, without having to shoulder responsibility for Croatia's current troubles.

#### COMMENT

¶7. (C) The reason or reasons for Sanader's withdrawal from the premiership remain opaque, but HDZ insiders claim that this is not a ploy for Sanader to run for presidency down the road. No matter what the cause, his departure and the new

leadership will take the HDZ and very likely the new government in a more conservative direction. The current border impasse with Slovenia is almost sure to mean a Kosor government will focus on preparing the HDZ for the upcoming presidential elections first, and responding to Croatia's weakening economy second, with EU membership coming in a distant third. END COMENT

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